



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-2706  
PHONE: (213) 974-8301 FAX: (213) 626-5427

ASST. AUDITOR-CONTROLLERS

WENDY L. WATANABE  
ACTING AUDITOR-CONTROLLER

ROBERT A. DAVIS  
JOHN NAIMO  
MARIA M. OMS

April 7, 2008

TO: Supervisor Yvonne B. Burke, Chair  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy Watanabe*  
Acting Auditor-Controller

SUBJECT: **COMMUNITIES IN SCHOOL OF SOUTH BAY, INC. CONTRACT - A  
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT  
ACT PROGRAM PROVIDER**

We have conducted a program, fiscal and administrative contract review of Communities In School of South Bay, Inc. (CIS or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) program provider.

**Background**

CSS contracts with CIS, a private non-profit organization to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14 to 21 years old. CIS' office is located in the Second District.

CIS was compensated on a cost reimbursement basis and had a contract for \$220,457 for Fiscal Year (FY) 2006-07.

**Purpose/Methodology**

The purpose of the review was to determine whether CIS complied with its contract terms and appropriately accounted for and spent WIA funds in providing services outlined in their County contract. We also evaluated the adequacy of the Agency's

accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we interviewed a number of Agency's staff and participants/guardians.

### **Results of Review**

CIS properly recorded and deposited cash receipts in a timely manner. In addition, the three participants/guardians we interviewed indicated the services they received from CIS met their expectations.

We also noted several areas where CIS did not comply with WIA and County contract requirements. CIS billed CSS for \$29,184 in unsupported and unallowable expenditures. Specifically, CIS:

- Did not maintain adequate documentation to support their facility lease payments for July 2006 through February 2007, totaling \$10,665; the participants' wages and incentives provided to 11 (92%) of the 12 participants sampled totaling \$8,450; payroll expenditures totaling \$6,277 (\$5,210 + \$1,067); and utility expenditures totaling \$93.
- Inappropriately billed educational hours as participants' wages in May and June 2006, totaling \$3,294.
- Inappropriately billed \$405 in July and September 2006 for voided expenditures.

CIS also did not repay CSS \$43,690 or implement 15 (60%) of the 25 recommendations noted in the prior year's monitoring report. In addition, CIS needs to maintain adequate documentation in the participants' case files and improve internal controls. For example, CIS:

- Did not complete the Individual Service Strategy plans for any of the 12 participants sampled as required.
- Did not accurately report the participants' program activities on the Job Training Automation (JTA) system for 11 (92%) of the 12 participants sampled.
- Did not maintain adequate documentation in the participants' case files to support the program activities reported on the JTA system for four (33%) of the 12 participants sampled.
- Did not administer the post assessment exam for five (42%) of 12 participants sampled within one year of the pre-assessment.
- Did not maintain documentation to support their insurance coverage.

- Did not obtain two authorized signatures on all checks.

Details of our review along with recommendations for corrective action are attached.

### **Review of Report**

We discussed our report with CIS and CSS on February 11, 2008. In their attached response, CIS disagrees with a number of our recommendations. Specifically, CIS indicated that the \$25,890 (\$29,184 - \$3,294) in unsupported expenditures were adequately supported by documentation. However, CIS did not provide us with adequate documentation to support the expenditures. CIS also indicated that the \$3,294 billed as participants' wages were allowable since the expenditures were budgeted and approved by CSS. WIA guidelines do not allow agencies to pay wages to participants for attending educational classes.

In addition, CIS indicated that a statement from its insurance carrier was attached. However, a copy of the insurance carrier's statement was not attached nor provided during our meeting on February 11, 2008. CIS also disagrees with the prior year's \$43,690 repayment amount and indicated that they will work with CSS to resolve the disagreement.

CSS needs to ensure that the Agency takes action to address the current and prior year's recommendations and collect the amounts owed by the Agency promptly.

We thank CIS for their cooperation and assistance during the review. Please call me if you have any questions or your staff may contact Don Chadwick at (626) 293-1102.

WLW:MMO:DC

#### **Attachment**

c: William T Fujioka, Chief Executive Officer  
Cynthia Banks, Director, Department of Community and Senior Services  
Shirley Allen, Executive Director, Communities In School of South Bay, Inc.  
Public Information Office  
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM  
COMMUNITIES IN SCHOOL OF SOUTH BAY, INC.  
FISCAL YEAR 2006-07**

**ELIGIBILITY**

**Objective**

Determine whether Communities In School of South Bay, Inc. (CIS or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA).

**Verification**

We reviewed the case files for 12 (18%) of the 66 program participants that received services between July 2006 and April 2007 for documentation to confirm their eligibility for WIA services.

**Results**

CIS did not maintain appropriate documentation to support eligibility for one (8%) of the twelve participants. Specifically, CIS did not maintain proof of income or family size to support the participant's income requirement. A similar finding was also noted during the prior year's monitoring review.

Subsequent to our review, CIS provided additional documentation to support the participant's eligibility to receive program services.

**Recommendation**

1. CIS management ensure that staff obtain appropriate documentation from the participants to determine the participants' eligibility for program services prior to enrollment.

**BILLED SERVICES/CLIENT VERIFICATION**

**Objective**

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the program participants received billed services.

**Verification**

We reviewed the documentation contained in the case files for 12 (18%) program participants that received services from July 2006 through April 2007. We also interviewed three participants/guardians.

**Results**

The three participants/guardians interviewed stated that the services they received met their expectations. However, CIS did not always comply with WIA and County contract requirements. Specifically, CIS:

- Did not maintain adequate documentation for 11 (92%) of the 12 participants sampled to support the participants' wages and incentives provided, such as approved timecards and signed incentive policies. Unsupported expenditures totaled \$8,450. A similar finding was also noted during the prior year's monitoring review.
- Did not complete the Individual Service Strategy (ISS) plans for any of the 12 participants sampled as required by WIA guidelines. The ISS plan is a comprehensive on-going plan jointly developed by the participant and the case manager that identifies the participant's background, skills, goals, barriers to employment and service plans needed to achieve the goals.
- Did not accurately report the program activities, such as completion of leadership and supportive services, on the Job Training Automation (JTA) system for 11 (92%) of the 12 participants sampled. The JTA system is used by the State of California Employment Development Department and the Department of Labor to track WIA participant activities. This finding was also noted during the prior year's monitoring review.
- Did not maintain adequate documentation for four (33%) of the 12 participants sampled in the participants' case files to support the program activities reported on the JTA system, such as certificate of completion for leadership training.
- Did not administer the post-assessment examinations for five (42%) of 12 participants sampled within one year of the pre-assessment.

**Recommendations****CIS management:**

2. **Repay CSS \$8,450.**
3. **Ensure that adequate documentation is maintained to support the program expenditures.**

4. **Ensure that staff complete the Individual Service Strategy in accordance with WIA guidelines.**
5. **Ensure that staff accurately update the Job Training Automation system to reflect the participants' program activities.**
6. **Ensure that appropriate documentation is maintained to support the program activities reported on the Job Training Automation system.**
7. **Ensure that post-assessment examinations are administered within one year of the pre-assessment.**

### **CASH/REVENUE**

#### **Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

#### **Verification**

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's February 2007 bank reconciliation.

#### **Results**

CIS properly recorded and deposited cash receipts and revenue in a timely manner. However, CIS did not:

- Obtain two authorized signatures on all checks.
- Require the preparer of the bank reconciliation to sign or date the bank reconciliation.
- Account for all checks including voided and cancelled checks.

#### **Recommendations**

##### **CIS management:**

8. **Obtain two authorized signatures on all checks.**
9. **Ensure that the preparer signs and dates the bank reconciliations.**

10. Ensure that all checks, including voided and cancelled checks, are accounted for by conducting a physical inventory of all checks on a regular basis.

### **EXPENDITURES/PROCUREMENT**

#### **Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

#### **Verification**

We interviewed Agency personnel, reviewed financial records and reviewed documentation for 22 non-payroll expenditure transactions billed by the Agency for July 2006 through February 2007, totaling \$15,232.

#### **Results**

CIS billed CSS \$11,163 in unsupported and unallowable expenditures. Specifically, CIS:

- Did not provide supporting documentation to support the amount allocated for the facility lease expenditures from July 2006 through February 2007 totaling \$10,665.
- Inappropriately billed CSS \$405 in July and September 2006 for voided expenditures. Subsequent to our review, the Agency indicated they reissued the \$405. However, CIS did not provide documentation that they voided expenditures for \$405.
- Did not maintain adequate supporting documentation for the November 2006 utilities expenditures totaling \$93.

Similar findings were also noted during prior year's monitoring review.

#### **Recommendations**

**CIS management:**

11. Repay CSS \$11,163 (\$10,665 + \$405 + \$93).
12. Bill CSS for actual expenditures and ensure that expenditures are adequately supported.

**ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE****Objective**

Determine whether the contractor maintained sufficient administrative controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

**Verification**

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

**Results**

CIS was not in compliance with various County contract requirements. Specifically:

- CIS did not maintain adequate insurance coverage. CIS' insurance did not cover CIS' current facility but the Agency's former facility and the policies only had a 10 day advance written cancellation notice period not a 30 day cancellation notice as required by the County contract. A similar finding was also noted during the prior year's monitoring review.
- The Director of Education approved participants' timecards and signed participants' payroll checks. According to the County contract, authorized check signers must be independent of disbursement activities.
- CIS did not perform a fair market analysis of their facility leased in September 2006. CIS also did not perform a fair market analysis of their previous facility.
- CIS' hours of operation were from 10:00 a.m. to 4:00 p.m., Monday through Thursday, and closed Fridays and Saturdays. The County contract required the Agency to maintain hours of operation from 9:00 a.m. to 6:00 p.m., Monday through Friday and every other Saturdays, from 9:00 a.m. to 1:00 p.m. This finding was also noted during the prior year's monitoring review.

**Recommendations****CIS management:**

- 13. Obtain documentation to support their insurance coverage as required by the County contract.**
- 14. Ensure that there is adequate segregation of duties.**



- 15. Perform a fair market analysis on their leased facility.**
- 16. Ensure that the hours of operation are maintained as specified in the County contract.**

**FIXED ASSETS AND EQUIPMENT**

**Objective**

Determine whether CIS' fixed assets and equipment purchased with WIA funds are used for the WIA program and are safeguarded.

We did not perform test work in this section as CIS did not use WIA funds to purchase fixed assets or equipment.

**PAYROLL AND PERSONNEL**

**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA program. In addition, determine whether personnel files are maintained as required.

**Verification**

We traced the payroll expenditures invoiced for three employees totaling \$40,394 for November and December 2006 to the Agency's payroll records and time reports. We also traced the payroll expenditures invoiced for four participants totaling \$4,950 for November and December 2006 to the Agency's payroll records and time reports. In addition, we interviewed two employees and reviewed the personnel files for three employees assigned to the WIA program.

**Results**

CIS overbilled CSS \$5,210 in unsupported payroll expenditures. Specifically, CIS did not maintain adequate documentations to support the payroll expenditures, such as payroll registers and approved timecards, totaling \$5,210.

**Recommendations**

**CIS management:**

- 17. Repay CSS \$5,210.**
- 18. Ensure that the payroll expenditures are adequately supported by payroll registers and approved timecards.**

**COST ALLOCATION PLAN****Objective**

Determine whether CIS' Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the plan to appropriately allocate shared program expenditures.

**Verification**

We reviewed CIS' Cost Allocation Plan and reviewed a sample of expenditures incurred by the Agency in November and December 2006 to ensure that the expenditures were properly allocated to the Agency's programs.

**Results**

CIS' Cost Allocation Plan was not current. Specifically, CIS moved into a new facility in September 2006 and CIS did not update their Cost Allocation Plan to reflect costs associated with the new facility.

**Recommendation**

19. CIS management update their Cost Allocation Plan when significant changes occur in funding allocations.

**CLOSE-OUT REVIEW****Objective**

Determine whether the Agency's Fiscal Year (FY) 2005-06 final close-out invoice reconciled to the Agency's financial accounting records.

**Verification**

We traced CIS' FY 2005-06 general ledger to the Agency's final close-out invoice for FY 2005-06. We also reviewed a sample of expenditures incurred in May and June 2006.

**Results**

CIS' final close-out invoice reconciled to the Agency's financial records. However, CIS overbilled CSS \$4,361 in unsupported and unallowable expenditures. Specifically:

- CIS inappropriately billed CSS educational hours as participants' wages in May and June 2006, totaling \$3,294.

- CIS did not maintain adequate documentation, such as approved timecards, to support participants' wages in May and June 2006, totaling \$1,067.

Similar findings were noted during the prior year's monitoring review.

### **Recommendations**

#### **CIS management:**

- 20. Repay CSS \$4,361 (\$3,294 + \$1,067).**
- 21. Discontinue paying wages to participants for attending educational classes.**
- 22. Ensure participants' wages are adequately supported by approved timecards.**

### **PRIOR YEAR FOLLOW-UP**

#### **Objective**

Determine the status of the recommendations reported in the prior monitoring review completed by the Auditor-Controller.

#### **Verification**

We verified whether the outstanding recommendations from FY 2005-06 monitoring review were implemented. The report was issued on March 28, 2007.

#### **Results**

The prior year's monitoring report contained 25 recommendations. At the time of our review, CIS implemented ten recommendations. As previously indicated, the findings related to Recommendations 1, 3, 5, 12, 13, 15, 16, 21 and 22 contained in this report were also noted during the prior year's monitoring review. The remaining six recommendations required CIS to repay CSS \$43,690, review the eligibility of all program participants enrolled during FY 2005-06 and repay CSS for services provided to ineligible participants, and implement the outstanding recommendations from FY 2004-05 monitoring report. CIS management indicated that the Agency plans to implement the outstanding recommendations by June 30, 2008.

### **Recommendations**

#### **CIS management:**

- 23. Immediately repay CSS \$43,690.**

24. Immediately implement and resolve the outstanding recommendations from Fiscal Year 2005-06 monitoring report.



17625 S. Central Ave., #E  
Carson, CA 90746  
Tel: (310) 639-5095 \* Fax: (310) 638-2965

March 5, 2008

Yoon Bae, CPA  
Principal Accountant-Auditor  
Department of Auditor-Controller  
Countywide Contract Monitoring Division  
1000 S. Fremont Avenue, Unit 51  
Building A-9 East, First Floor  
Alhambra, CA 91880

SUBJECT: AGENCY RESPONSE  
COMMUNITIES IN SCHOOLS OF SOUTH BAY, INC. CONTRACT - A  
COMMUNITY AND SENIOR SERVICES WORKFORCE INVESTMENT  
ACT PROGRAM PROVIDER - FISCAL YEAR 2006-2007

Dear Ms. Bae:

The purpose of this document is to provide a response to the above audit report conducted by your office. Our responses are listed below:

**ELIGIBILITY**

**Recommendation #1** - The auditors noted that CIS did not maintain appropriate documentation from participants to determine eligibility for program services one of the twelve files reviewed.

Response: The item in question (copy of mother's W- ) has since been provided to the Auditors office. The participant is indeed eligible for the program. CIS will revise its participant file checklist to ensure that all eligibility documents are received and that a supervisor is required to review and initial the eligibility checklist prior to the participant being accepted into the program in the future.

**BILLED SERVICES/CLIENT VERIFICATION**

**Recommendation #2 & 3** - CIS repay CSS \$8,450.00 and ensure that adequate documentation is maintained to support the program expenditures.

Response: In reviewing the timesheets/records with the auditors, it was determined that the timesheets are in fact in the participants files, however, some were missing adequate documentation (initials, timeframes, etc). We have made the necessary corrections to adequately support the expenditures. These items have been corrected and will be ready during a subsequent review to support the expenditures.

**Recommendation #4 – Ensure that staff complete the Individual Service Strategy in Accordance with WIA Guidelines.**

Response: We agree with this finding and were informed where we are deficient. Now that we have been informed of our deficiencies in this area, we will make the necessary corrections to ensure that we are in compliance in the future.

**Recommendation #5 & #6 – Ensure that staff accurately update the Job Training Automated System to reflect participant program activities. Also insure that documentation is maintained in the file to support these activities.**

Response: We agree with this finding. The problem occurred due to a change of staff. CIS has conducted cross-training to ensure that we have adequate staff trained to complete this task. We have also instituted a policy whereby the JTA system is updated on a weekly basis and a report provided to supervision. In addition, the supervisor is responsible for verifying that the supporting documentation is in the file and this is also to be reviewed on a weekly basis.

**Recommendation #7 – Ensure that post assessment exams are administered within one year of the pre-assessment.**

Response: We agree with this finding. CIS has several students that were in the program for more than one year, thus the post-test were not administered, however, from this point on, we will ensure that post-test are monitored and administered within one year of the pre-test.

**CASH/REVENUE**

**Recommendation #8 – Obtain two authorized signatures on all check.**

Result: We agree with this finding. CIS switched banking institutions and the new bank did not require two signatures, however, it was noted that this is a requirement of the County, therefore immediately; CIS will ensure that there are two authorized signatures on all checks.

**Recommendation #9 – Ensure that the preparer signs and dates the bank reconciliation.**

Result: We agree that not all bank reconciliations were signed by the preparer at the time to the audit review, however, CIS will ensure that bank reconciliations are completed within 48hrs of receipt and signed by the preparer before being forwarded to management for review.

**Recommendation #10 – Ensure that all checks are accounted for by conducting a physical inventory of all checks on a regular basis.**

Results - CIS does ensure that all checks are accounted for. The actual check is normally kept with the bank statement that it is returned with, however, at the recommendation of the auditor-controller's office. CIS will keep all checks in a file box, in numerical order and ensure that all check numbers are accounted for on a regular basis.

Communities In Schools of South Bay

**EXPENDITURES/PROCUREMENT**

**Recommendation #11 -- Repay CSS \$11,163.**

Response: We disagree with this finding. CIS was in litigation with its previous landlord regarding facility lease and its recent increase. At our attorney's request, we withheld payment until such time as the litigation was resolved. Litigation has been resolved and we are currently on a payment plan to repay the all money's owed to the leasing company. The amounts billed for CSS were appropriate as it was incurred in the months billed.

**Recommendation #12 -- Bill CSS for actual expenditures and ensure that expenditures are adequately supported.**

Response: We agree with this finding. CIS accidentally billed CSS in the amount of \$405 for the check that was issued to a participant; however, it was later voided and re-written to the participant.

As it relates to the \$93 for November 2006, we agree with this finding as well. CIS did appropriately bill the \$93, however, this amount was later credited to our account from the vendor, which in turn should have been credited to the County in subsequent invoices.

**ADMINISTRATIVE CONTROL/CONTRACT COMPLIANCE**

**Recommendation #13 -- Obtain adequate insurance coverage as required by the County contract.**

Response: We disagree with this finding. CIS does have adequate insurance as required by the County. The issue was that the policy paperwork provided to the auditor at the time of the visit did not contain a statement indicating the 30day cancellation policy, however, CIS has obtained this statement from its insurance carrier and it's attached and will be available at subsequent audit reviews.

**Recommendation #14 -- Ensure that there is adequate segregation of duties.**

Response: We agree with this finding. In this case the Director of Education approved timecards and signed payroll checks participants assigned to the facility to work. The duty of approving timecards for participants assigned to the main facility has been changed to the Accounting Clerk to ensure that there is adequate segregation of duties.

**Recommendation #15 -- Perform a fair market analysis for the facility the Agency leases.**

Response: We agree with this finding. CIS was offered a lease that was less than 1/2 the amount of its current lease during our time of need, so we took the offer. However in the future, we will ensure that we conduct a fair market analysis and keep it on file.

Communities In Schools of South Bay

**Recommendation #16 – Ensure that the hours of operation are maintained as specified in the County contract.**

Response: We agree with this finding. CIS will ensure that if and when its hours of operations change, a formal letter will be send to CSS.

**PAYROLL AND PERSONNEL**

**Recommendation #17 -- Repay CSS \$5,210.**

Response: We do not agree with this finding. Because we had just moved, CIS did not have the payroll register in hand at the time of the audit. We did have the timecards and cancelled checks, but the payroll register from ADP was in storage and not available. This will be available for review at subsequent audit reviews.

**Recommendation # 18 – Ensure that the payroll expenditures are adequately supported by payroll registers and approved timecards.**

Response: We do not agree with this finding. Because we had just moved, CIS did not have the payroll register in hand at the time of the audit. We did have the timecards and cancelled checks, but the payroll register from ADP was in storage and not available. This will be available for review at subsequent audit reviews.

**COST ALLOCATION PLAN**

**Recommendation #19 – CIS management update their Cost Allocation Plan when significant changes occur in funding allocations.**

Response: We agree with this finding. The actual cost allocation plan (on paper) had not been updates at the time of the audit. However, the expenditures were being adequately allocated based on the new lease/rent amount and were posted on the supporting documentation. CIS has since updated the actual Cost Allocation Document and it is available for review.

**CLOSE-OUT REVIEW**

**Recommendation #20 -- Repay CSS \$4,361.**

Response. We disagree with this finding. It has always been the agencies policy to provide academic enrichment to youth that test two or more grades below grade level. Students are required to attend a min of 40 hours of remedial education classes prior to going to work. This was budgeted and approved by the County prior to execution (as in previous years). We feel that it would be unfair for CIS to be required to reimburse funds that were extended to participants for this reason.



Communities In Schools of South Bay

**Recommendation # 21 -- Stop paying wages to participants for attending educational classes.**

Response: We agree with this finding. CIS will immediately stop paying students for attending educational classes

**Recommendation # 22 -- Ensure participants' wages are adequately supported by approved timecards.**

Response: We disagree with this finding. CIS did have timesheets for each and every participant, however in some cases, the timesheets may have been missing ending dates, or initials when changes were made to participant lunch hours. These have been corrected and are available at subsequent review. In the future, CIS will have a supervisor review all timesheets prior to payment to ensure accuracy and completeness.

**PRIOR YEAR FOLLOW-UP**

**Recommendations #23 -- Immediately repay CSS \$43,690.**

Response: We disagree with this finding. CIS has implemented virtually all of the prior year findings, with the exception of the finding regarding payment to students for remedial/educational classes and issue regarding the lease. CIS will discuss this issue with CSS in an effort to resolve them.

**Recommendations #24 -- Immediately implement and resolve the outstanding recommendations from Fiscal Year 2005-06 monitoring report.**

Response: We agree. CIS has taken the necessary steps to resolve these issues. We will provide proof at subsequent reviews or upon request of the County.

If you have any questions, please do not hesitate to contact me at 310-639-5095.

Sincerely,



Articia Woods,  
Director of Educational Services.

cc. Victoria M. Adams, Associate Director  
J. Tyler Mc Cauley, Auditor-Controller